Local Government Property Taxes in Montana

Financial Modernization and Risk Analysis (MARA) Committee

June 19, 2020

How Property Taxes are Calculated

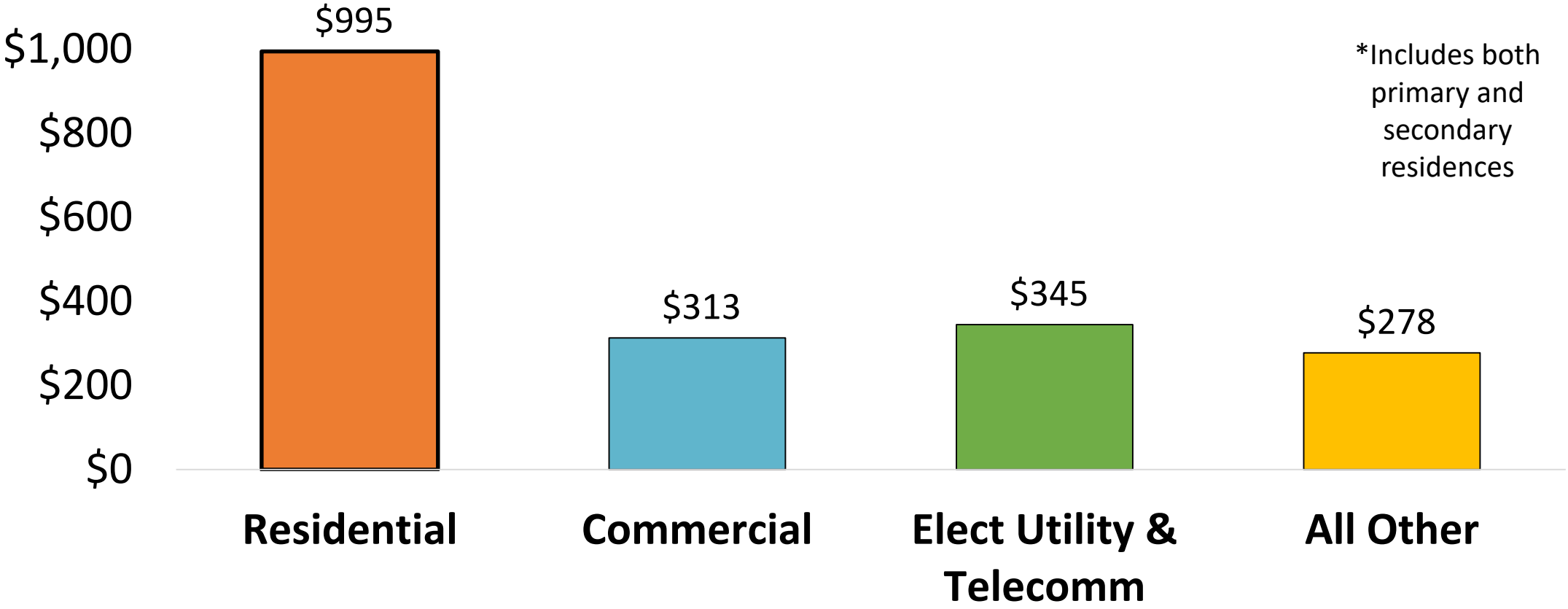
- Property Taxes Levied = $\frac{\text{Market Value} \times \text{Tax Rate}}{\text{Taxable Value}} \times \text{Total Mills}$

For example, a home with $250,000 value at 500 mills:

- Taxable Value = Market Value × Tax Rate = $250,000 × 1.35% = $3,375
- Value of One Mill = Taxable Value × $\frac{1}{1000}$ = $3,375 × $\frac{1}{1000}$ = $3.375
- Property Tax Bill = Value of 1 Mill × # of Mills = $3.375 × 500 = **$1,687.50**

Where Property Taxes Come From

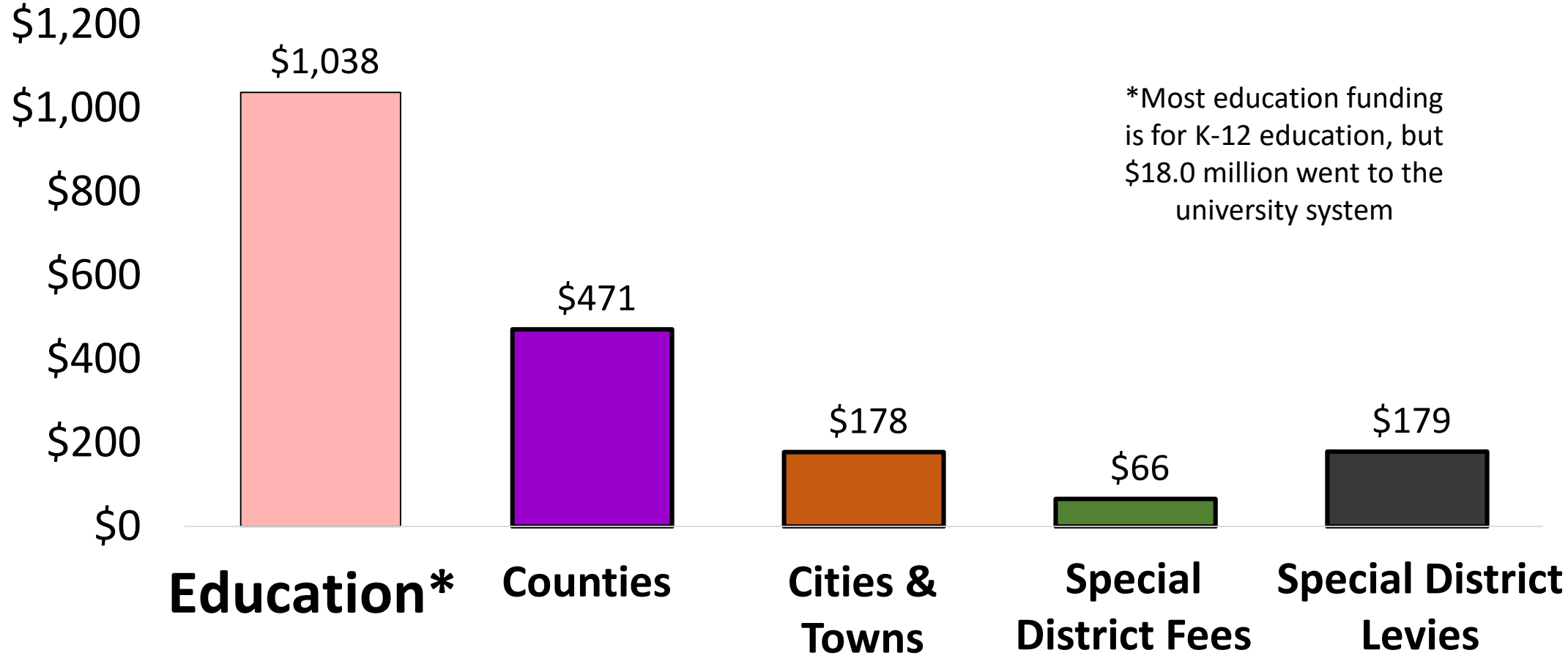
The total amount of **property taxes levied** in Montana in TY 2018 was $1.9 billion. The majority of property taxes came from class 4 residential property*. *Dollars are in millions.*



*Includes both primary and secondary residences

Where Property Taxes Go

The total amount of **property taxes levied** in Montana in TY 2018 was $1.9 billion. The majority of property taxes are used to fund education. *Dollars are in millions.*

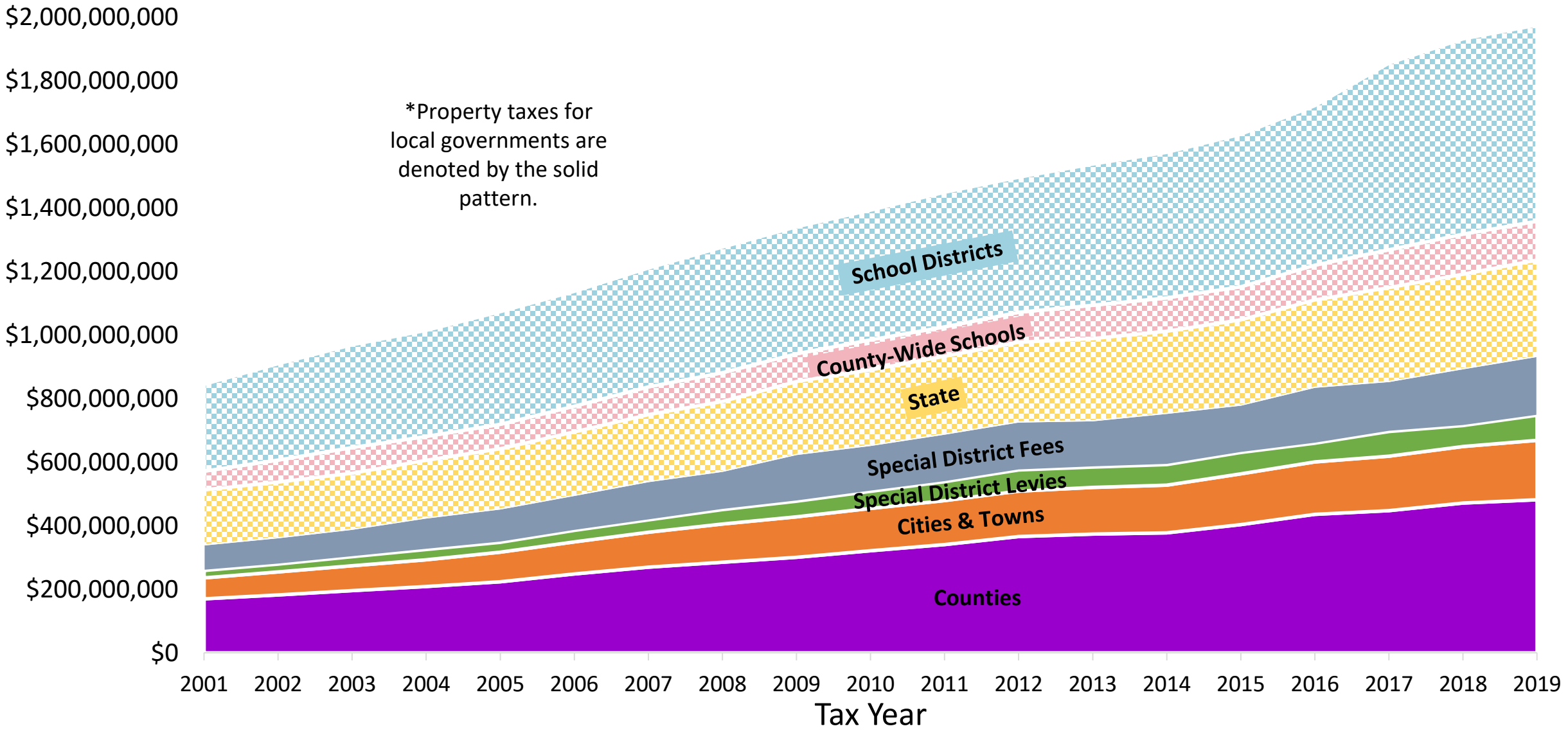


Growth in Property Taxes Collected by Entity

Compound Annual Growth Rate TY 2001 - TY 2019	
Entity	Growth Rate
State	3.170%
County-wide Schools	4.102%
School Districts	4.629%
Counties	5.971%
Cities	5.898%
Special Dist Levies	7.067%
Special Dist Fees	4.736%

Overall Compound Annual Growth Rate for Property Taxes - 4.829%

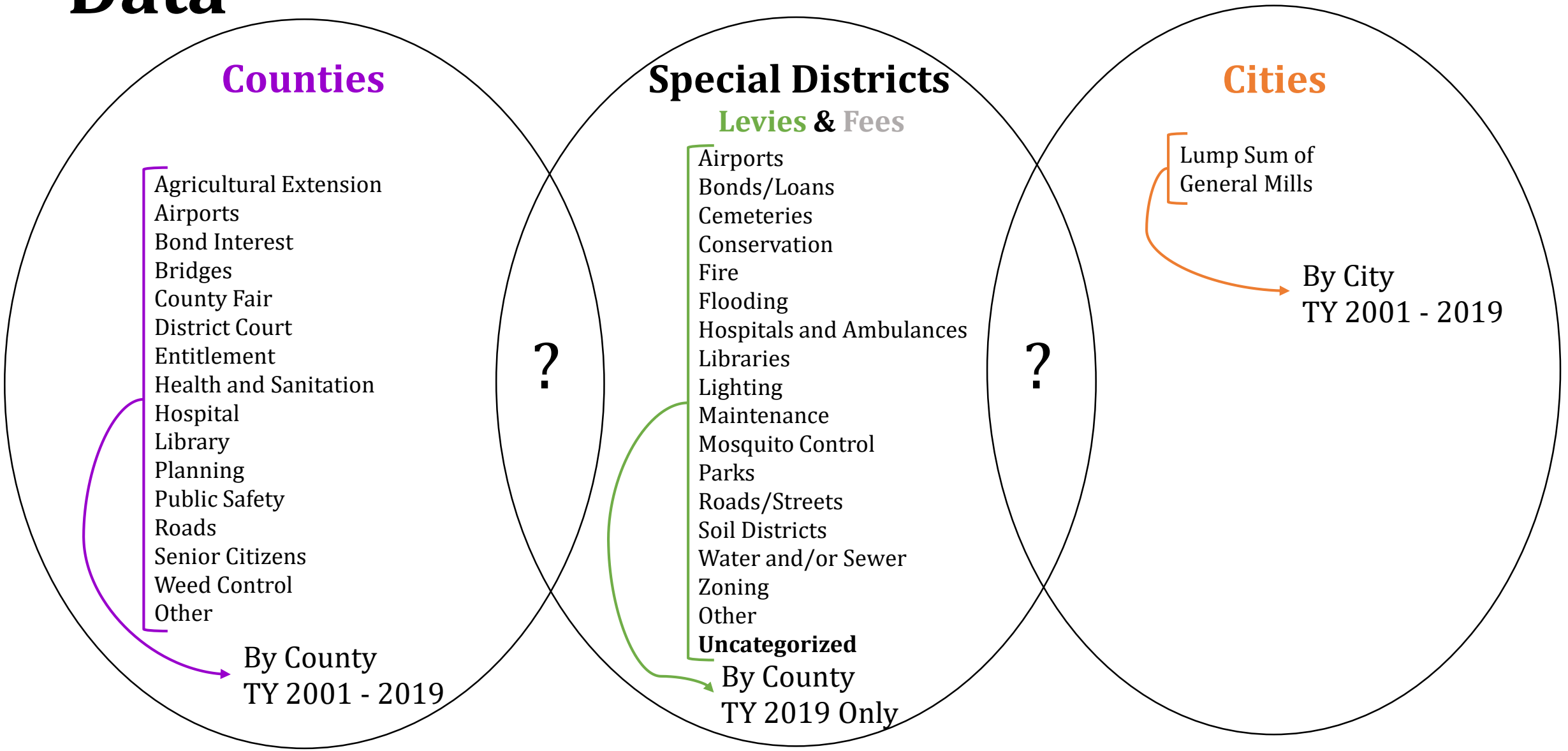
Growth in **property taxes collected** since TY 2001 is a combination of growth in property taxes paid to local governments* and to public schools. Special district levies account for the smallest portion of property taxes collected, but they had the largest compound annual growth rate from TY 2001 to TY 2019.



Local Government and Property Taxes

- While not all property taxes paid go to local government, most of the funding for local governments comes from property taxes
- Local government property taxes grew at a rate of 6.119% per year on average between TY 2001 and TY 2018, which is higher than the growth of the economy (personal income) of 4.998% over the same time period
- The source of that growth can be analyzed from a few different perspectives, with some data limitations:
  - Overall growth within different entity types such as counties, cities, and special districts
  - Growth in different categories (such as roads, health & sanitation, libraries, etc.) within entities
  - Growth in different locations across the state
- Quantifying how different services are paid for can be complicated due to how data are collected and reported

Data


Counties
Agricultural Extension
Airports
Bond Interest
Bridges
County Fair
District Court
Entitlement
Health and Sanitation
Hospital
Library
Planning
Public Safety
Roads
Senior Citizens
Weed Control
Other
By County
TY 2001 - 2019
?
Special Districts
Levies & Fees
Airports
Bonds/Loans
Cemeteries
Conservation
Fire
Flooding
Hospitals and Ambulances
Libraries
Lighting
Maintenance
Mosquito Control
Parks
Roads/Streets
Soil Districts
Water and/or Sewer
Zoning
Other
Uncategorized
By County
TY 2019 Only
?
Cities
Lump Sum of
General Mills
By City
TY 2001 - 2019

Local Government and Property Taxes

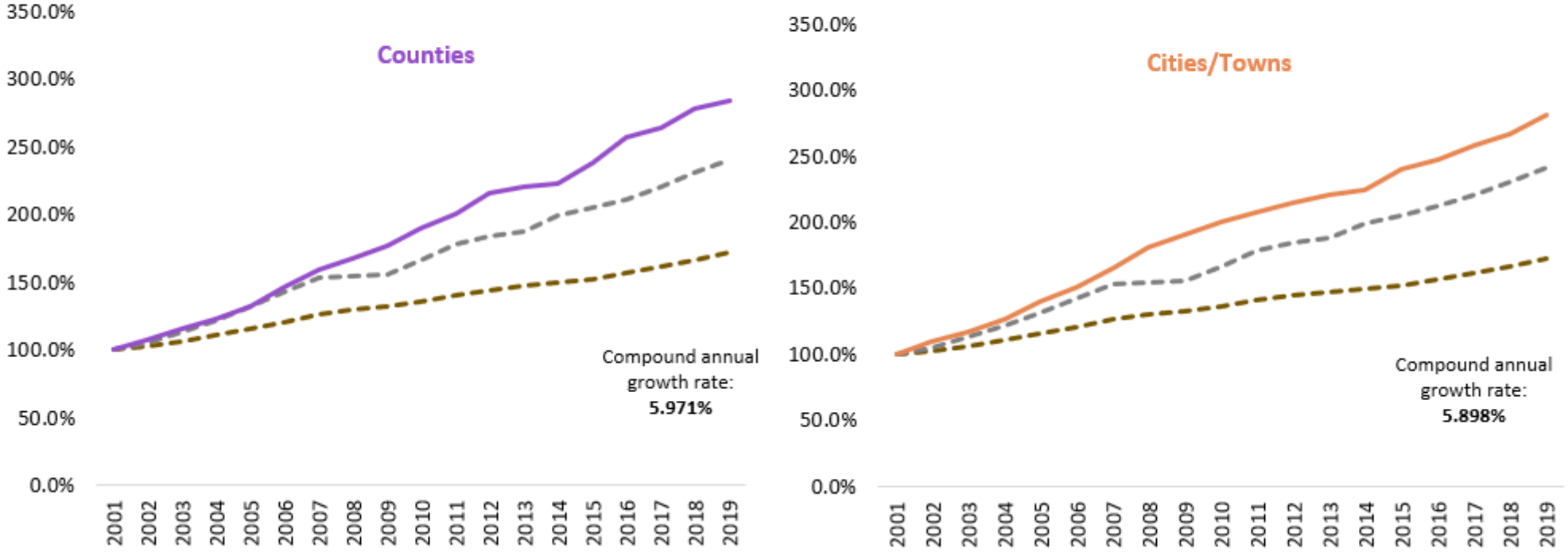
- Property tax growth is limited by state statute (15-10-420, MCA)
  - Local governments may generate the amount of property taxes actually assessed in the prior year plus half the average rate of inflation for the prior 3 years
  - Increases in property tax collections can also be a result of newly taxable property or newly voted levies
- Certain localities which fund the majorities of their services through property tax mill levies may approach the cap on property tax growth faster than localities which fund their services through combinations of property taxes and fees

Local Government and Property Taxes

- Property tax collections are determined after a local government entity has set its budget for the year, and the number of mills levied is then determined based on that need
- Thus, property tax mills may “float” up and down to meet local government budgets
- A decrease in mills does not necessarily result in lower property tax collections

Growth in Property Taxes Collected by Local Government Entity

Growth in **property taxes paid** since TY 2001 for **special district fees** has generally been greater than that of **inflation adjusted for population** but less than **growth in the economy (personal income)**. **Counties**, **cities & towns**, and **special district levies** have all grown above the rate of growth in the economy (personal income) since TY 2001.



Tax Year

Growth in Property Taxes Collected by Local Government Entity

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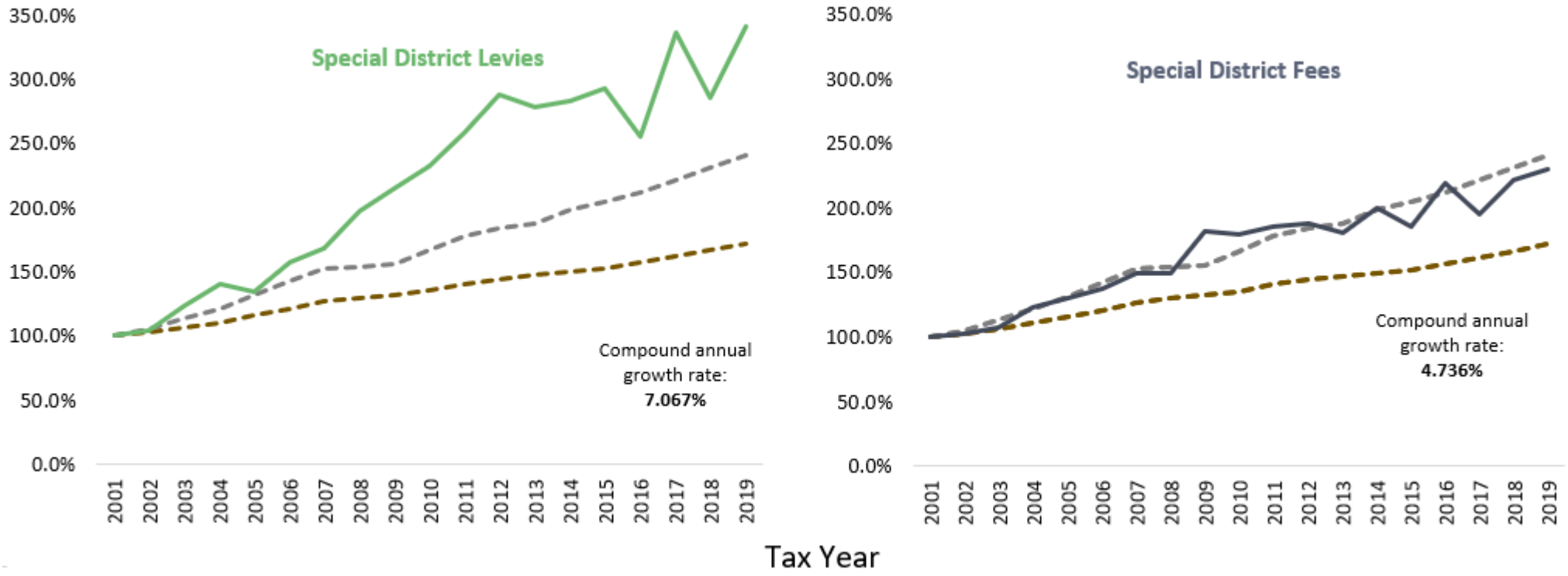
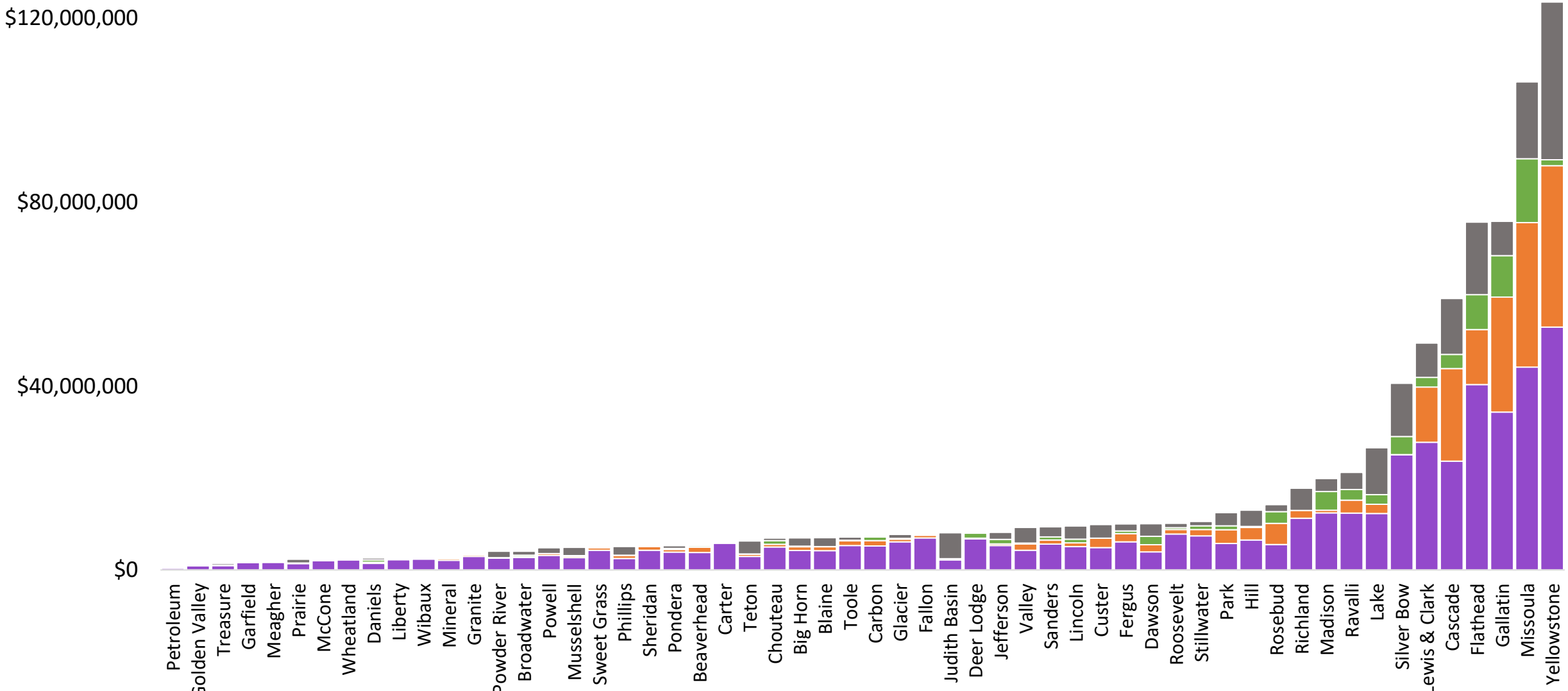


For most counties in Montana, the majority of **local government property tax revenue** in TY 2019 was collected by the **counties**. The amounts collected by the **county**, **cities**, **special district levies**, and **special district fees** vary from county to county.



Growth in Property Taxes in different locations

Total Local Government **Property Tax Revenue**

- 17 counties had compound annual growth rates in total local government property tax revenue that were less than 5.000% between TY 2001 and TY 2018
  - The growth rate of the economy (personal income) was 4.998%
  - Most of these counties have small populations (with the exceptions of Cascade County and Lewis & Clark County), low population growth over the last two decades, and have lower taxable values
- 8 counties had compound annual growth rates at or above 8.000% between TY 2001 and TY 2018
  - Gallatin and Madison Counties have seen increases in property values, have a large amount of class 4 residential and commercial property, and have had increases in population over the last twenty years. Though Gallatin County did not have the highest growth rate, at 8.000%, it has by far the largest population and largest property tax collections of the 8
  - The other 6 counties are generally lower population counties with higher taxable values
  - Even when excluding the top 8 counties, the compound annual growth rate is 5.453%, which is still above the rate of growth in the economy (personal income)

Growth in Property Taxes in different locations

Total Local Government **Property Tax Revenue**

Local Government Property Tax Revenue												
County	TY 2001	TY 2018	Growth Rate	County	TY 2001	TY 2018	Growth Rate	County	TY 2001	TY 2018	Growth Rate
Judith Basin	1,223,475	8,088,212	11.75%	Flathead	28,579,389	75,655,938	5.89%	Wheatland	1,093,638	2,528,687	5.05%
Fallon	1,318,964	7,853,356	11.07%	Mineral	1,085,047	2,861,219	5.87%	Daniels	1,141,726	2,598,873	4.96%
Madison	4,342,205	19,892,001	9.37%	Missoula	40,276,167	106,135,000	5.87%	Prairie	1,024,226	2,330,049	4.95%
Carter	1,402,312	5,996,853	8.92%	Yellowstone	47,531,690	123,533,741	5.78%	Cascade	26,193,588	59,053,912	4.90%
Wibaux	635,459	2,682,699	8.84%	Stillwater	4,117,713	10,516,641	5.67%	Treasure	615,127	1,380,497	4.87%
Powder River	1,047,654	4,049,728	8.28%	Petroleum	229,092	582,795	5.65%	Deer Lodge	3,657,973	8,107,881	4.79%
Richland	4,637,033	17,779,652	8.23%	Dawson	4,069,866	10,026,692	5.45%	Lincoln	4,329,194	9,563,653	4.77%
Gallatin	20,490,134	75,838,801	8.00%	Ravalli	8,620,843	21,221,677	5.44%	Hill	6,023,662	13,009,819	4.63%
Sweet Grass	1,368,603	5,041,961	7.97%	Golden Valley	396,968	976,111	5.44%	McCone	1,108,209	2,392,976	4.63%
Musselshell	1,365,007	4,898,282	7.81%	Liberty	1,085,419	2,648,653	5.39%	Lewis & Clark	23,664,625	49,353,878	4.42%
Sheridan	1,594,019	5,257,362	7.27%	Silver Bow	16,728,443	40,571,698	5.35%	Chouteau	3,388,367	6,901,553	4.27%
Big Horn	2,163,292	6,963,234	7.12%	Glacier	3,182,805	7,704,107	5.34%	Phillips	2,554,972	5,093,791	4.14%
Roosevelt	3,162,932	10,124,132	7.08%	Park	5,185,250	12,452,532	5.29%	Valley	4,657,127	9,248,837	4.12%
Jefferson	2,785,493	8,162,557	6.53%	Broadwater	1,701,947	4,065,254	5.26%	Pondera	2,766,320	5,265,223	3.86%
Powell	1,688,174	4,815,429	6.36%	Sanders	3,926,257	9,365,098	5.25%	Garfield	949,792	1,733,212	3.60%
Toole	2,546,959	7,153,114	6.26%	Granite	1,560,764	3,692,806	5.20%	Beaverhead	2,963,127	5,335,767	3.52%
Fergus	3,617,694	9,994,508	6.16%	Blaine	3,003,057	6,989,134	5.09%	Teton	3,546,496	6,311,890	3.45%
Rosebud	5,156,291	14,191,307	6.14%	Carbon	3,097,429	7,182,423	5.07%	Meagher	1,136,922	2,013,335	3.42%
Lake	9,837,676	26,567,623	6.02%	Custer	4,263,981	9,879,345	5.07%				

Growth in Property Taxes in different locations

Total Local Government **Mills**

- 7 counties had compound annual growth rates in number of mills levied at or above 4.000% between TY 2001 and TY 2018
- 13 counties had compound annual growth rates in number of mills levied less than 2.000% between TY 2001 and TY 2018
  - Growth in property tax revenue does not always mean that the number of mills levied has increased. Powder River and Carter Counties actually had a decrease in the number of mills levied, though both had increases in property tax collections
  - These 13 counties with the lowest growth in number of mills levied tend to have higher taxable values
  - On average, a mill is worth more for a county with higher taxable value than for a county with lower taxable value. Thus, some of the counties with the highest growth in revenue collected also had some of the lowest growth in number of mills levied.

Growth in Property Taxes in different locations

Total Local Government **Mills**

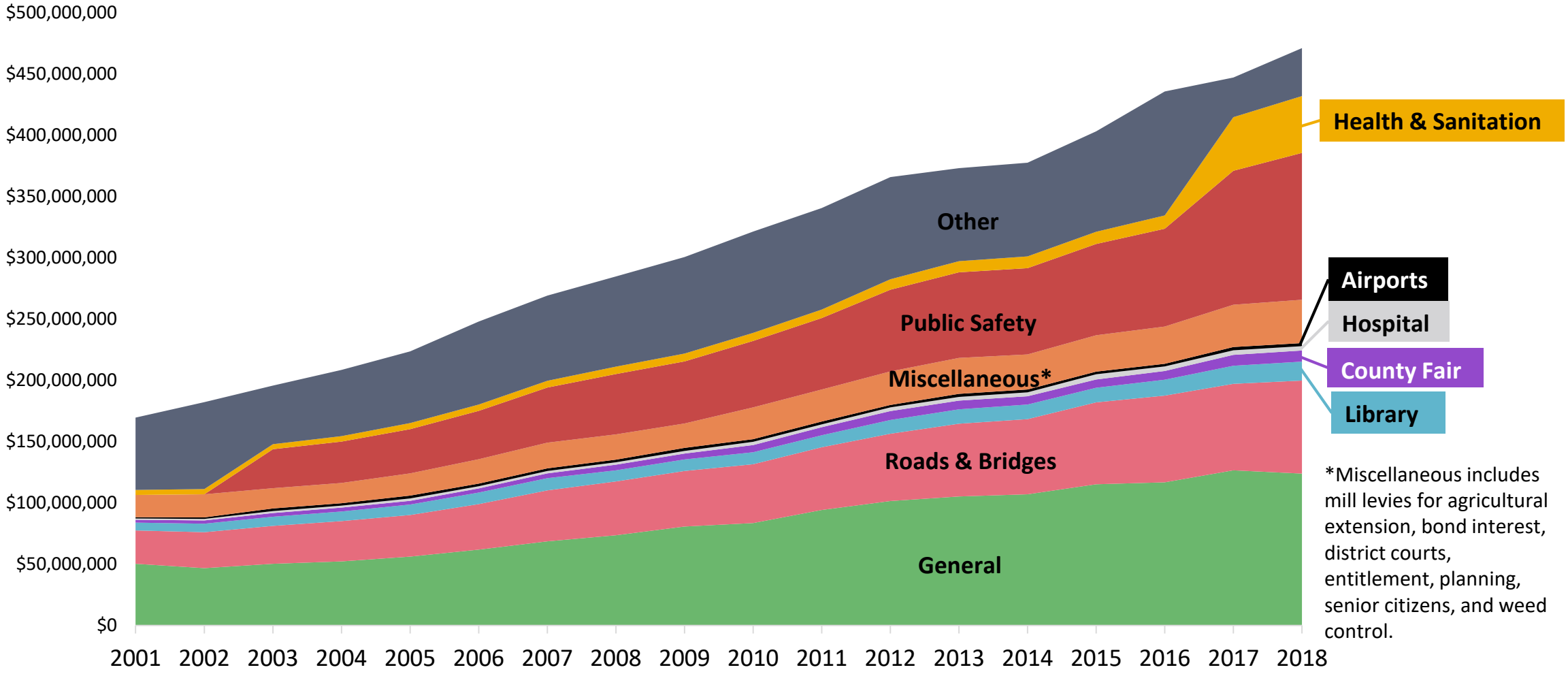
Local Government Property Tax Mills											
County	TY 2001	TY 2018	Growth Rate	County	TY 2001	TY 2018	Growth Rate	County	TY 2001	TY 2018	Growth Rate
Rosebud	47.74	168.62	7.71%	Phillips	220	384	3.33%	Daniels	312	454	2.23%
Silver Bow	181.27	497.72	6.12%	Sheridan	302	524	3.29%	Prairie	321	464	2.19%
Petroleum	211.58	488.17	5.04%	Powell	186	313	3.11%	Custer	305	438	2.16%
Treasure	283.31	592.88	4.44%	Garfield	272	449	2.98%	Wheatland	210	295	2.03%
Roosevelt	233.94	477.18	4.28%	Sweet Grass	216	355	2.95%	Pondera	294	412	2.01%
Stillwater	186.24	376.60	4.23%	Meagher	236	377	2.80%	Madison	200	279	1.99%
Mineral	220.74	434.29	4.06%	Fergus	266	422	2.75%	Valley	289	395	1.87%
Beaverhead	205.75	398.43	3.96%	Ravalli	245	389	2.75%	Flathead	236	323	1.85%
Big Horn	175.43	339.43	3.96%	Liberty	249	393	2.73%	Deer Lodge	310	416	1.75%
Sanders	230.83	442.40	3.90%	Missoula	312	493	2.73%	Carbon	205	274	1.73%
Lake	210.82	400.16	3.84%	Park	236	372	2.70%	Fallon	281	373	1.68%
Glacier	260.97	491.59	3.80%	Lewis & Clark	250	392	2.69%	Broadwater	210	276	1.61%
Toole	264.49	495.01	3.76%	Judith Basin	184	287	2.64%	Teton	217	277	1.44%
Granite	228.75	415.55	3.57%	McCone	373	579	2.61%	Dawson	323	408	1.38%
Lincoln	190.08	339.94	3.48%	Cascade	232	360	2.61%	Richland	265	321	1.13%
Blaine	389.48	696.30	3.48%	Chouteau	291	435	2.40%	Wibaux	319	324	0.09%
Jefferson	201.22	357.87	3.44%	Gallatin	222	331	2.39%	Powder River	340	325	-0.27%
Yellowstone	177.92	311.51	3.35%	Hill	265	394	2.37%	Carter	401	377	-0.36%
Golden Valley	133.21	232.67	3.34%	Musselshell	252	374	2.36%				

Growth in Property Taxes within Counties

- Counties levy a certain number of mills for each of the following functions:
  - General
  - Agricultural extension
  - Airports
  - Bond interest
  - Bridges
  - County fairs
  - District courts
  - Entitlement
  - Health and sanitation
  - Hospitals
  - Libraries
  - Planning
  - Public safety
  - Roads
  - Senior citizens
  - Weed control
  - Other

Growth in Property Taxes within Counties

Property taxes collected from **county levies only** have grown at approximately 5.971% per year. The largest mill levy categories are for general use, roads & bridges, public safety, and other.



*Miscellaneous includes mill levies for agricultural extension, bond interest, district courts, entitlement, planning, senior citizens, and weed control.

Growth in Property Taxes within Counties

- The highest growth rate was for county fairs at 8.163%, though this category amounts to an extremely small portion of the total
- The second highest growth rate for the combination of health & sanitation, public safety, and other is about 7.195%; these categories have been combined due to the apparent interaction and overlap between the three categories over the years
- The lowest growth rate was 4.019% for the miscellaneous category, which includes agricultural extension, bond interest, district courts, entitlement, planning, senior citizens, and weed control

Growth in Property Taxes within Counties

Compound Annual Growth Rate TY 2001 - 2018 Counties Only	
Category	Growth Rate
County Fair	8.163%
Health and Sanitation*	7.195%
Public Safety*	7.195%
Hospital	7.032%
Roads & Bridges	6.216%
General	5.450%
Library	5.419%
Airport	4.839%
Miscellaneous	4.019%
Other*	7.195%

*Since TY 2001, there has been some apparent shifting between the categories of Health & Sanitation, Public Safety, and Other. Thus their compound annual growth rate has been calculated as an overall percentage for all three categories combined.

Growth in Property Taxes within Cities

- City mills are not broken out in the same way that the county mills are. Unlike those for counties, city mill levies are all combined into one fund
- Cities across the state pay for different services in a variety of different ways
  - Some differences in local government property taxes are simply a result of voted levies in locations where residents are more willing to pay higher taxes for a greater number of government services
  - Other differences result from how a city chooses to fund their services—either through the city general fund, special levies, or special district fees

Growth in Property Taxes within Cities

City of Missoula

An example:

- The city of Missoula has one of the largest city mill levies in Montana, at 237 mills in TY 2019. Missoula covers the costs of public safety (police and fire) through the city general fund
  - Missoula received $36.5 million in property tax mill levies and $7.1 million in fees in TY 2019, for a total of $43.6 million
  - Missoula's $7.1 million in fees is made up of $4.6 million for roads, streets, and sidewalks and $2.5 million for parks
  - Missoula has a population of approximately 67,000. When these property taxes and fees are normalized by population, residents in Missoula pay an average of $547 for levies + $106 in fees = $653 per resident

Growth in Property Taxes within Cities

City of Billings

An example:

- The city of Billings, on the other hand, levied 160 mills in TY 2019. The Billings city charter limits the city general fund mill levy to 74 mills. Thus, the costs for public safety in Billings are covered by a special district
  - Billings received $34.3 million in property tax mill levies and $24.7 million in fees in TY 2019, for a total of $59.0 million
  - The $24.7 million in fees includes $15.6 million for public safety and $9.1 million for various other purposes
  - Billings has approximately 107,000 residents. When these property taxes and fees are normalized by population, residents of Billings pay an average of $321 for levies + $231 in fees = $552 per resident

Growth in Property Taxes within Cities

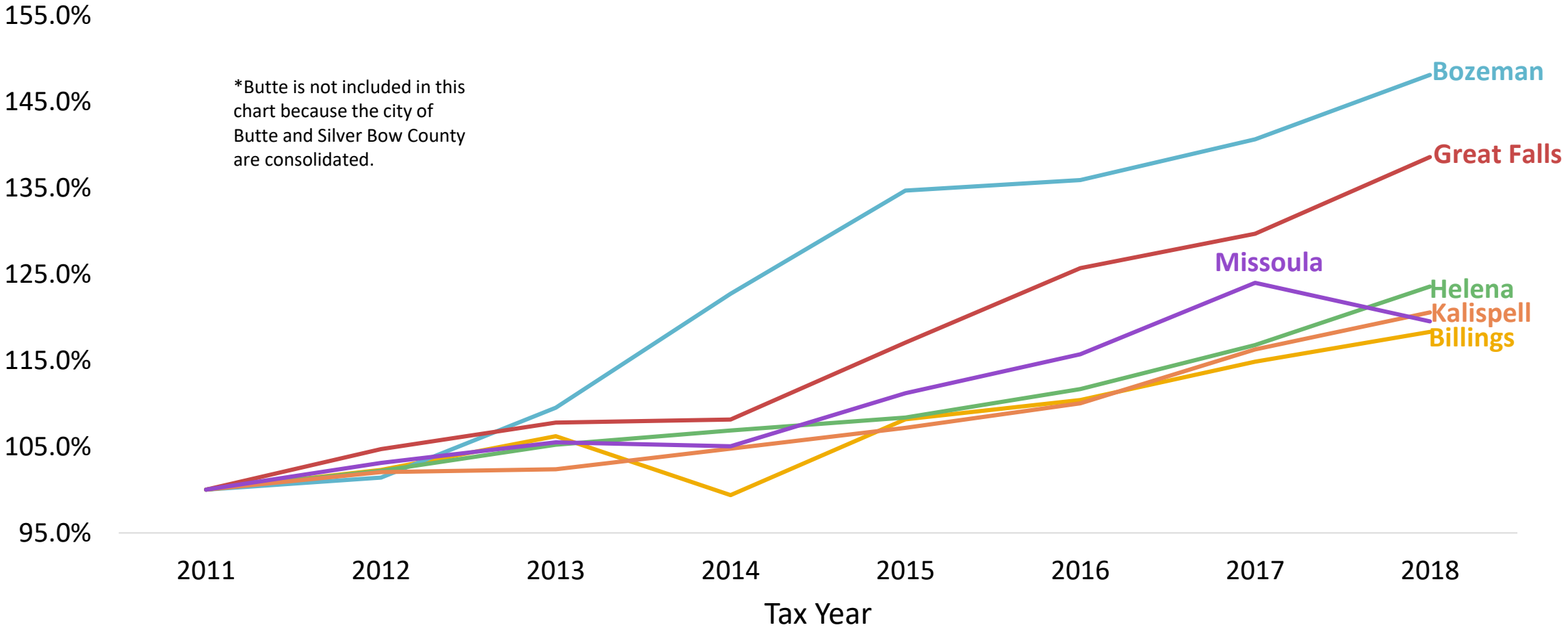
An example:

- It is important to note that the amount of property taxes paid includes those collected from all classes of property, including class 4 residential property, class 4 commercial property, class 8 business equipment property, etc.
- The average amount paid per person does not represent the actual amount paid by an individual homeowner residing in the city
- Differences in local government revenue structures such as these make it challenging to make a fair and accurate comparison between cities. And without more detailed data, it is extremely difficult to differentiate which special districts have been created for functions cities would otherwise have to pay for through other avenues. Due to how city mills are reported, it is difficult to tell which functions make up city property tax levies and which city functions are responsible for growth over the last decade

Growth in Property Taxes within Cities

Property Tax Collections from Mill Levies for the Big 7

Since TY 2011, the **growth rate in property taxes received through mill levies** for the city of Bozeman was the highest of Montana's largest cities*, at 5.772% per year. Billings had the lowest rate of growth at 2.431% per year.



Growth in Property Taxes within Cities

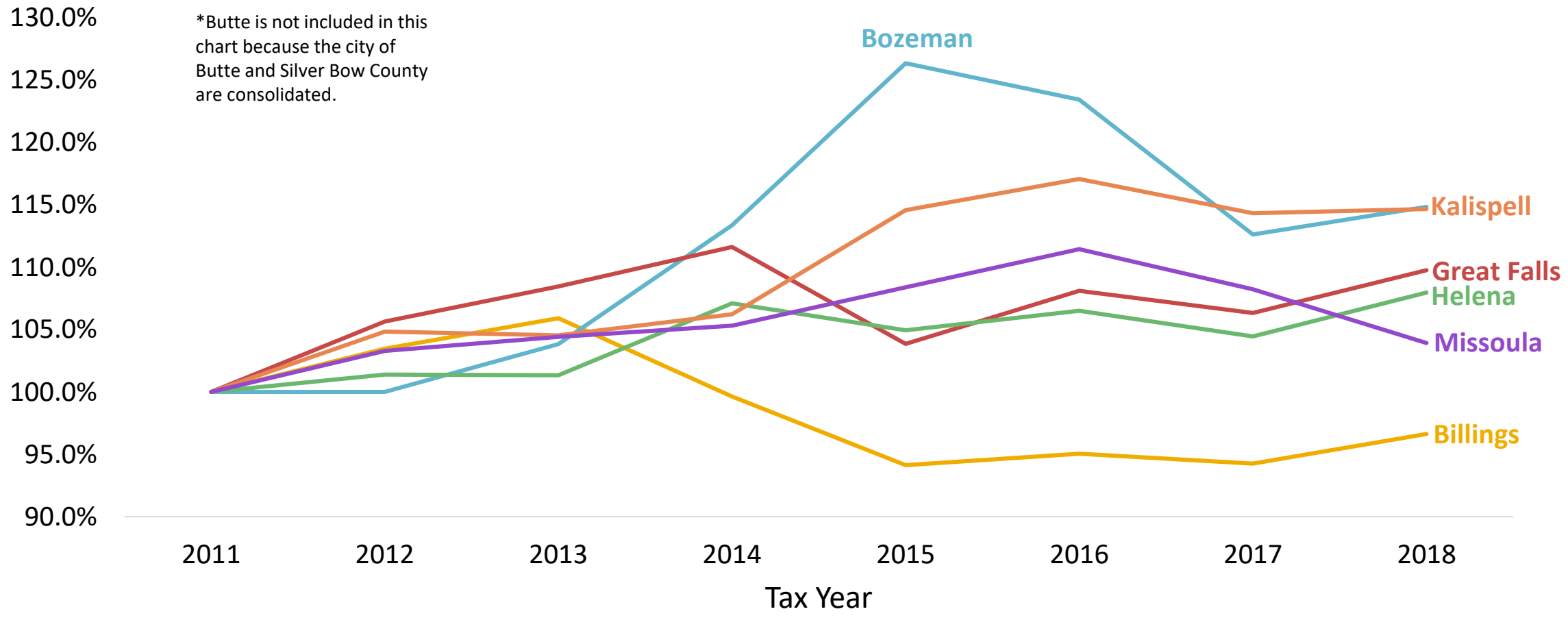
Property Tax Collections from Mill Levies for the Big 7

Compound Annual Growth Rate TY 2011 - 2018	
City	Growth Rate
Bozeman	5.772%
Great Falls	4.772%
Helena	3.069%
Kalispell	2.710%
Missoula	2.581%
Billings	2.431%

Growth in Property Taxes within Cities

Property Tax **Mills** for the Big 7

Since TY 2011, the **growth rate in number mills levied** for the cities of Bozeman and Kalispell was the highest of Montana's largest cities*. However, Bozeman had a jump in number of mills levied in TY 2015, which has since levelled off. Billings was the only city with a decline in the number of mills levied over the same time period.



Growth in Property Taxes within Cities

Property Tax **Mills** for the Big 7

Number of Mills Levied TY 2011 - 2018		
City	TY 2011	TY 2018
Bozeman	164.75	189.19
Kalispell	159.38	182.74
Great Falls	183.24	201.12
Helena	157.01	169.51
Missoula	233.24	242.37
Billings	168.73	163.03

Growth in Property Taxes for Special Districts

Mills & Fees

- Local governments may create a special district and may levy mills or charge fees to fund specific services within that district (per 7-11-1003, MCA and 7-11-1024, MCA)
- Note that the numbers for special districts contain some levies or fees that are collected by city and county governments. Thus, the charts below may include certain city and county government functions such as the public safety levy for the city of Billings
- These charts also include special districts that are not part of the city or county government, such as a special district for road maintenance for a subdivision outside city limits

Growth in Property Taxes for Special Districts

Mills & Fees

- Local governments may create a special district and may levy mills or charge fees to fund specific services within that district (per 7-11-1003, MCA and 7-11-1024, MCA)
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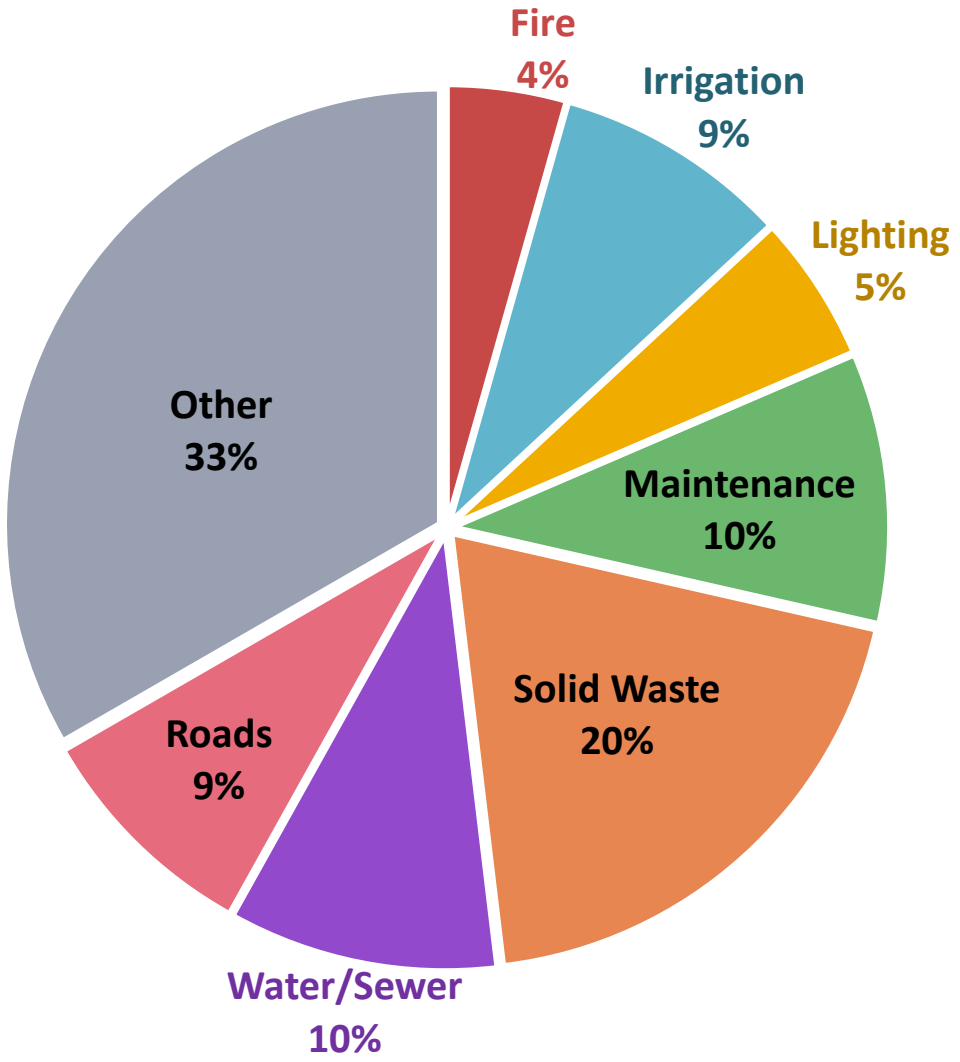
Growth in Property Taxes for Special Districts

Mills & Fees for TY 2019

"Other" makes up the largest portion of special district property tax revenue due to a large number of districts with upspecifed purposes. Solid waste makes up the next largest amount, followed by water/sewer, maintenance, roads, and irrigation.

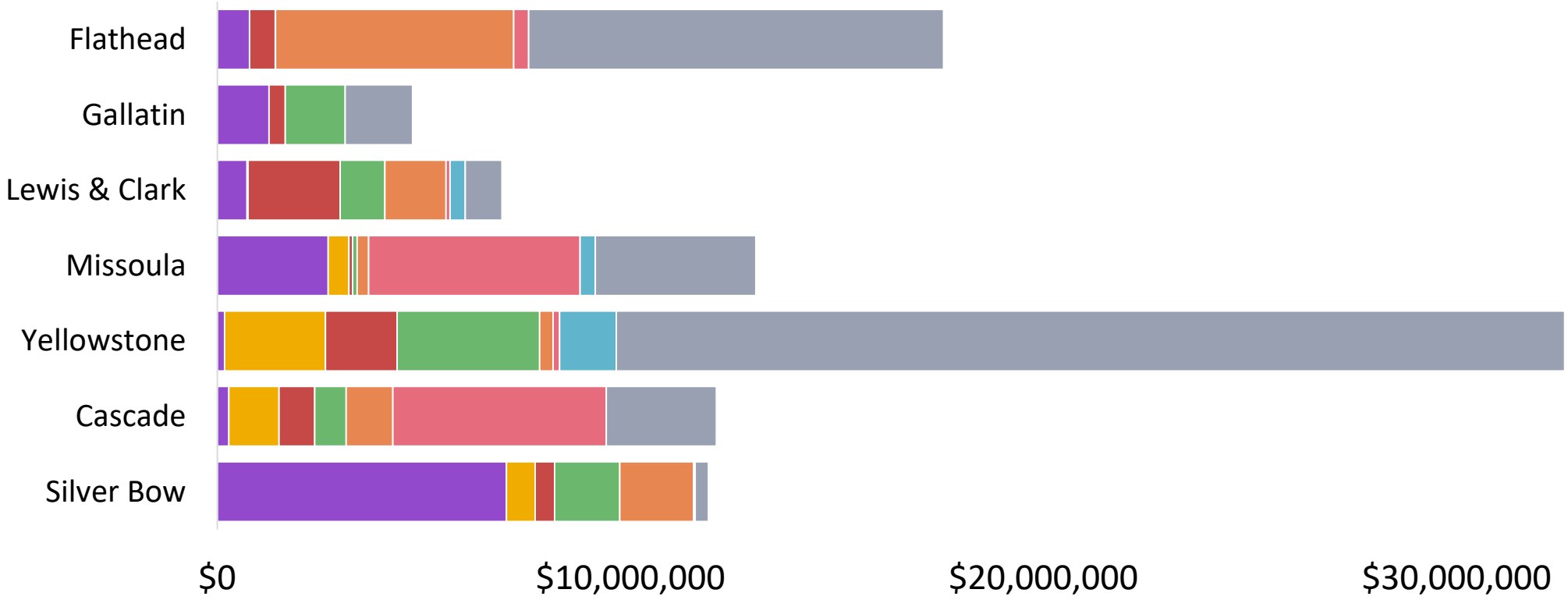


Growth in Property Taxes for Special Districts

Mills & Fees for the Big 7 (TY 2019)

Of Montana's largest seven counties, special districts collect the most amount of revenue in Yellowstone County and the smallest amount in Gallatin County. The types of districts (**water/sewer**, **fire**, **solid waste**, **lighting**, **maintenance**, **irrigation**, **roads/streets**, and **other***) and how much they collect vary widely between counties.

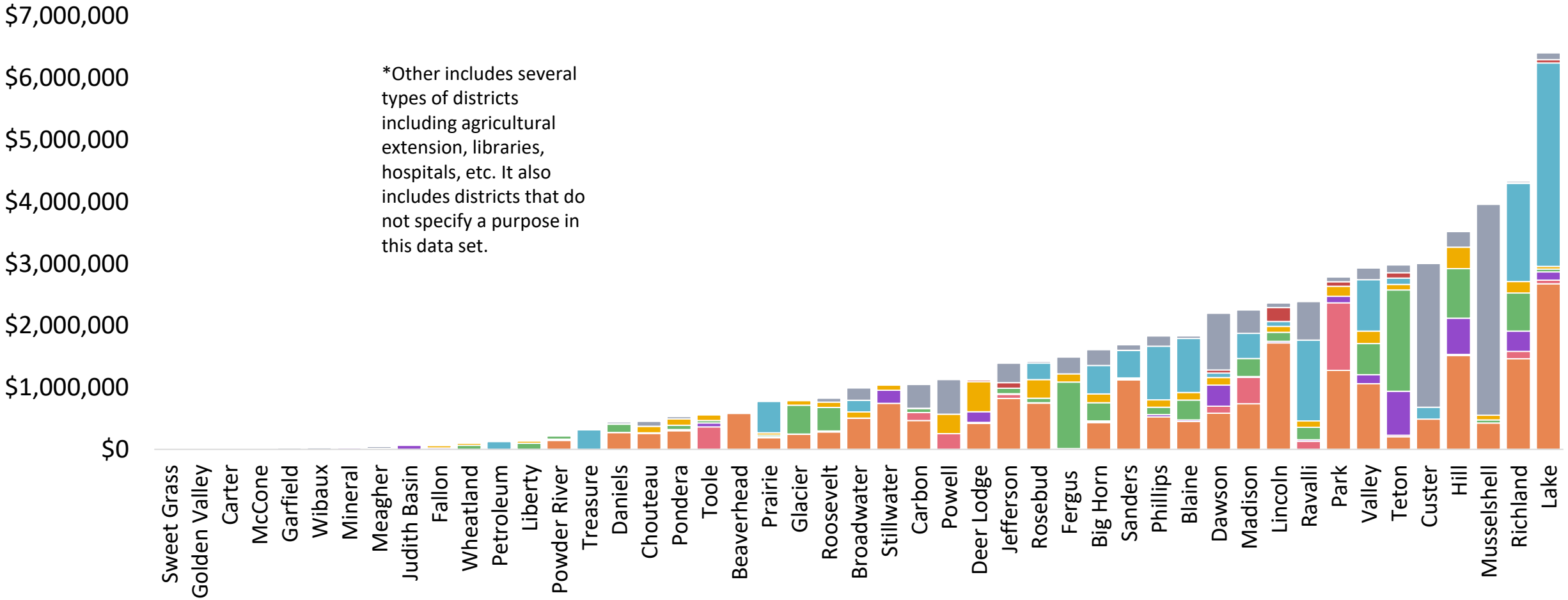
*Other includes several types of districts including agricultural extension, libraries, hospitals, etc. It also includes districts that do not specify a purpose in our data set; for example in Yellowstone County, "other" includes the $15.6 million public safety levy for the city of Billings as it was originally categorized in the data source.



Growth in Property Taxes for Special Districts

Mills & Fees for smaller population counties (TY 2019)

Of Montana's smaller counties, special districts collect the most amount of revenue in Lake County and the smallest amount in Sweet Grass County. The types of districts (**water/sewer**, **fire**, **solid waste**, **lighting**, **maintenance**, **irrigation**, **roads/streets**, and **other***) and how much they collect vary widely between counties.



General Conclusions

- Local government property taxes grew at a rate of 6.119% per year on average between TY 2001 and TY 2018, which is higher than the growth of the economy (personal income) over the same time period. The source of that growth can be analyzed from a few different perspectives, but without more detailed data, it is difficult to pinpoint exactly where this growth comes from.
- The largest amount of growth in dollars was for county governments. Within the counties, public safety, health & sanitation, and the “other” category had the largest compound annual growth rates. However, these three categories had some apparent overlap between TY 2001 and TY 2018, making it impossible to determine, with the current data, which category was responsible for the most growth.

General Conclusions

- In order to determine growth within cities and special districts and the relationship between the two types of entities, more detailed data will also be needed
- Though city property taxes cannot be easily broken out due to how they are reported to the Department of Revenue, special district property taxes can be separated into several different categories. However, the detailed data for special districts is only for TY 2019 and cannot be analyzed over time
- Analysis within special districts is also challenging, due to the large number of special districts with unspecified purposes. For example, the public safety levy for the city of Billings does not have a specified purpose in the data set and is included in the “other” category

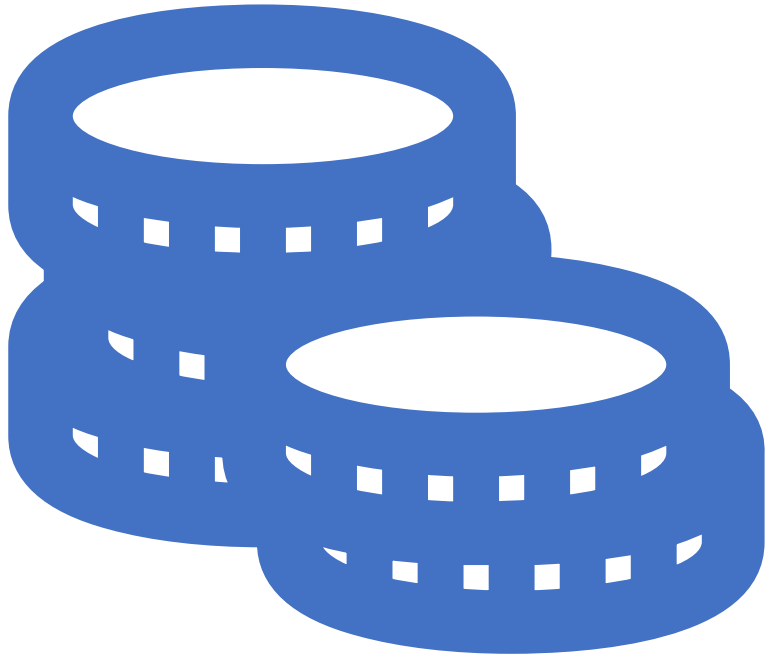
General Conclusions

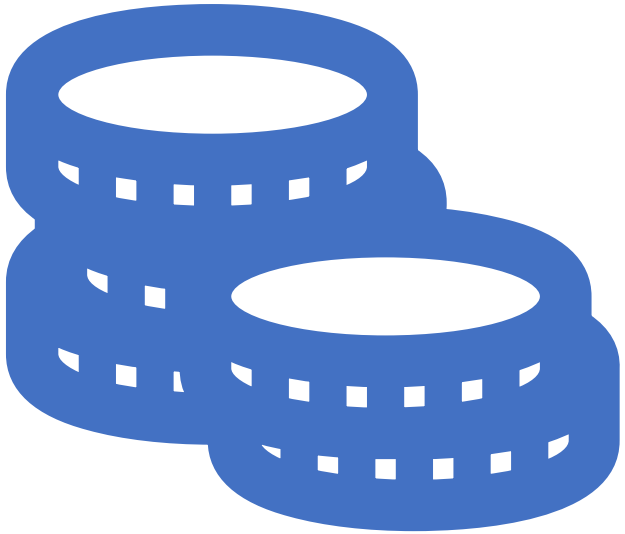
- Though the source of growth may be difficult to determine, the locations of growth across the state are more straightforward. Gallatin County's total property tax collections for all entities grew at 8.00% a year on average between TY 2011 and TY 2018
- Other counties had higher growth rates but smaller growth in terms of dollar amounts. Judith Basin County had the highest growth rate at 11.75%, but with a much smaller growth in total dollar amount
- Fallon, Madison, Carter, Wibaux, Powder River, and Richland Counties also had high compound annual growth rates, likely due to the larger amounts of property wealth in those counties. Fallon, Madison, Carter, Wibaux, and Powder River also had some of the lowest growth rates in total mills levied in the state, likely due to the limit on local government property tax growth which allows mills to "float" up and down to meet the budget determined by the locality

Further Analysis

- With the collection of more detailed data, the growth in local government property taxes can be analyzed at a deeper level
- In order to analyze the trends in city property tax collections by category type (maintenance, lighting, health & sanitation, etc.), the LFD would need a breakdown of the different mill types from the cities in Montana
- In order to make accurate comparisons between cities and to analyze cities and special districts properly, the LFD would also need data for special districts that indicates which levy districts to which special mills and fees apply
- The LFD is currently working with local governments to obtain more detailed data over a longer time span

Questions?





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